

**PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
COMMISSION DIRECTIVE**

ADMINISTRATIVE MATTER

☐

DATE

March 21, 2018

MOTOR CARRIER MATTER

☐

DOCKET NO.

2014-346-WS

UTILITIES MATTER

☒

ORDER NO.

SUBJECT:

[DOCKET NO. 2014-346-WS](#) - Application of Daufuskie Island Utility Company, Incorporated for Approval of an Increase for Water and Sewer Rates, Terms and Conditions - Staff Presents for Commission Consideration Daufuskie Island Utility Company, Incorporated's Petition for Reconsideration of Commission Order on Rehearing.

COMMISSION ACTION:

Move that Daufuskie Island Utility Company's Petition for Reconsideration of Order No. 2018-68 be denied.

The Company's Petition first questions the Order's basis for supporting the ORS recommendation excluding \$699,361 in gross plant from rate base. The Order cited specific testimony from ORS auditors, which established that the amount proposed for exclusion was derived after adding the elevated tank site and related facilities to the account for plant-in-service as discussed by the Supreme Court's Opinion, and established that the Company failed to present evidence supporting the value of the remaining excluded plant-in-service by invoices or other probative evidence. Based on the Company's own witness' testimony, I believe ORS furnished information that enabled the Company to identify specifics of the various items considered in plant-in-service at issue, along with categories of such plant. Specifically, in the original case, witness Guastella, on page 5 of his rebuttal testimony, stated that ORS had provided DIUC with work papers as a follow up to the audit exit conference call that enabled the Company to identify what it believes are the specifics of the ORS adjustments. The NARUC Uniform System of Accounts for both water and wastewater companies requires that property records be maintained by the utility. Lacking such documentation, ORS properly excluded the \$699,361 in plant-in-service. Although the Company argued that, despite the absence of verifiable property records, ORS should have accepted the Company's own estimates of the values, the Commission cannot accept estimates in regard to the Rate Base items in question without proper documentation of relevant, sufficient, and reliable data on which to decide the Company's revenue requirements. The Company has not established a process for preparing accounting estimates that can be audited by an independent third party, such as the ORS. Therefore, the Company must provide proper documentation for such items in future proceedings, if it seeks approval of them. Such documentation can be provided by various sources, such as obtaining duplicate invoices from vendors, presenting cancelled checks as proof of payment, obtaining copies of cancelled checks from banking institutions when necessary, supplying copies of paid contracts, and/or obtaining independent third party estimates for questioned items.

I also believe that the evidence presented by ORS supports the adjustment made for capital costs and legal costs associated with plant in service, which we adopted in Order No. 2018-68,

and Company allegations to the contrary must also be rejected.

With regard to DIUC's allegations regarding accumulated depreciation and depreciation expense, it is clear that ORS updated these "fall out" adjustments and presented them during the rehearing of this case. Therefore, the Commission Order adopting these adjustments was proper and need not be reconsidered.

Considering the Rate Case Expense issue, we recognized in our Order on Rehearing that ORS witness Hipp completed a thorough review of all invoices from Guastella Associates, and found them to lack specific detail in many respects. Although the Company failed to meet its burden regarding sufficiency of evidence, the Commission has made it clear that the Company is not foreclosed from providing sufficient evidence on this issue in its next rate case. Accordingly, this allegation of error in the Order on Rehearing is without any substantial basis.

This motion summarizes my proposed resolution of the Company's Petition. If the Commission adopts this motion, I further move that a full order should follow that provides full details of the rationales for the decision.

In summary, again, I move that we deny the relief the Company requests in the Petition for Reconsideration in its entirety. Finally, in its filing on February 4, 2018, the Company noted that, pursuant to our Order on Rehearing, it is collecting \$955,136 in additional annual revenue, rather than the \$950,166 in additional annual revenue that we approved in that Order. I move that we require the Company to make appropriate adjustments to cease the collection of the annual revenue which exceeds the authorized level of \$950,166.

PRESIDING: Whitfield

SESSION: Regular

TIME: 2:00 p.m.

	MOTION	YES	NO	OTHER
BOCKMAN	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
ELAM	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
FLEMING	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
HAMILTON	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
HOWARD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
RANDALL	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
WHITFIELD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

(SEAL)

RECORDED BY: J. Schmieding

